



Department of Justice

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JUSTICE DEPARTMENT ANNOUNCES ITS INTENTION TO BLOCK VARIAN MEDICAL SYSTEMS' ACQUISITION OF IMPAC MEDICAL SYSTEMS

Merger Would Reduce Innovation and Price Competition for Software and Equipment Used in Radiation Therapy for Cancer Patients

WASHINGTON, D.C. — The Department of Justice today announced its intention to file a civil antitrust lawsuit to block Varian Medical Systems Inc.'s proposed \$135 million acquisition of IMPAC Medical Systems Inc. The Department said the proposed transaction would reduce competition significantly in the sale of radiation oncology management systems software and medical devices known as linear accelerators sold in the United States.

Linear accelerators are devices used to deliver high-energy radiation to shrink or destroy cancerous tumors within the body. Radiation oncology management systems software is used both to assist the operation of the linear accelerator in a safe and effective manner and to help hospitals and clinics more efficiently perform a variety of administrative and business functions, such as patient charting, scheduling, image management, and charging and billing. Use of this software is increasing, as hospitals and clinics offer their cancer patients more complex and advanced types of radiation therapy. These advances in radiation therapy reduce side effects, increase patients' chances for survival, and cannot be efficiently administered without such software.

"As many as 60 percent of cancer patients receive radiation therapy, either by itself or in combination with surgery or chemotherapy," said A. Douglas Melamed, Acting Assistant Attorney General in charge of the Department's Antitrust Division. "Blocking this transaction ensures that patients depending upon radiation therapy for their medical care continue to receive the benefits of undiminished competition for both radiation oncology management systems software and linear accelerators, which has encouraged faster development and deployment of new radiation therapy treatments."

According to the Department, Varian and IMPAC compete directly in terms of innovation, quality, and price for the sales of radiation oncology management systems software in the U.S. IMPAC, which is unaffiliated with any linear accelerator manufacturer, provides software for use with both linear accelerators manufactured by Varian and those manufactured by Varian's competitors. Varian, which currently provides software that works only with linear accelerators manufactured by Varian, indicated before the announcement of the proposed transaction, that it would introduce software for use with some linear accelerators manufactured by its competitors. If the acquisition is allowed to go forward, there would be only one firm providing this software to hospitals and clinics in the U.S.

In addition, Varian is the market leader in the sale of linear accelerators, with almost 60 percent of the sales in the U.S. in fiscal year 1999. As a result of this acquisition, Varian's competitors would have to rely on Varian to supply the radiation oncology management systems software to support the existing functionality of their machines and any new advances in treatment developed in the future. Varian would be able to favor its linear accelerators at the expense of its competitors' linear accelerators, reducing marketplace pressures for continued innovation and competitive pricing.

The Attorney General's Office of the State of Texas provided valuable assistance and support in the investigation of this acquisition.

Varian Medical Systems Inc. is a Delaware corporation with its principal place of business in Palo Alto, California. It is the leading provider of hardware and software products used to treat cancer patients with radiation therapy as well as a producer of x-ray tubes and imaging products. The company had revenues totaling \$590 million in FY1999.

IMPAC Medical Systems Inc., a privately held company, is a California corporation with its principal place of business in Mountain View, California. It is the leading provider of radiation oncology management systems software, with FY1999 revenues of approximately \$21 million.

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